

DECKERVILLE COMMUNITY SCHOOLS

Deckerville, Michigan

Report on Financial Statements
(with additional information)

June 30, 2006

DECKERVILLE COMMUNITY SCHOOLS
Table of Contents

	<u>PAGE NUMBER</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	<i>i - vii</i>
REPORT OF INDEPENDENT AUDITORS	1 & 2
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	8
Statement of Fiduciary Assets and Liabilities	9
Notes to the Financial Statements	10 - 21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - All Major Funds	22
ADDITIONAL INFORMATION	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	24
General Fund:	
Schedule of Revenues and Other Financing Sources Compared to Budget	25
Schedule of Expenditures and Other Financing Uses Compared to Budget	26 - 32
Special Revenue Funds:	
Combining Balance Sheet	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	34
Debt Service Fund:	
Combining Balance Sheet	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	36
Fiduciary Fund:	
Agency Fund - Statement of Cash Receipts, Cash Disbursements and Liabilities	37 & 38
Schedule of Bonded Debt - 1995 Debt	39
Schedule of Bonded Debt - Durant Bonds	40
Report on Internal Control Over Financial Reporting And on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With Governmental Auditing Standards	41 & 42

Deckerville Community Schools

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2006

Deckerville Community School District, a K-12 school district located in Sanilac County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Deckerville Community School District administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006 and June 30, 2005.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

Fund Financial Statements

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Fiduciary Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

Government-wide Financial Statements

The government-wide financial statements are required by GASB 34. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006

Summary of Net Assets

The following schedule summarizes the net assets at fiscal year ended June 30, 2006 and 2005:

Assets	<u>6/30/06</u>	<u>6/30/05</u>
Current assets	\$3,383,826	\$ 3,722,495
Noncurrent assets	4,883,034	5,082,319
Total assets	<u>\$8,266,860</u>	<u>\$ 8,804,814</u>
Liabilities		
Current liabilities	\$890,731	\$ 879,200
Long-term liabilities	<u>2,932,798</u>	<u>2,872,095</u>
Total liabilities	3,823,520	3,751,295
Net Assets		
Invested in capital assets, net of related debt	2,173,108	2,054,382
Restricted for debt service	424,698	346,570
Unrestricted	<u>1,845,534</u>	<u>2,652,567</u>
Total net assets	4,443,340	5,053,519
Total liabilities and net assets	<u>\$8,266,860</u>	<u>\$ 8,804,814</u>

Analysis of Financial Position

During the fiscal year ended June 30, 2006, the District's net assets decreased by \$610,179. A few of the more significant factors affecting net assets during the year are discussed below.

1. Early Retirement Incentives

The School District approved Early Retirement Incentives for 15 employees during the year totaling \$450,000. The amounts of \$10,000 per year per employee will be paid over the next three years. The entire amount has been recorded as a liability of the school district.

2. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2006, \$277,265 was recorded for depreciation expense.

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2006, \$86,471 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

Results of Operations

For the fiscal year ended June 30, 2006 and 2005, the results of operations, on a District-wide basis, were:

	<u>Year Ended June 30, 2006</u>		<u>Year Ended June, 30, 2005</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
General Revenues				
Property Taxes	\$1,398,370	20.27%	\$1,361,396	20.12%
Investment earnings	70,702	1.02%	41,111	0.61%
State sources	4,644,062	67.29%	4,620,379	68.29%
Other	<u>134,021</u>	<u>1.94%</u>	<u>107,999</u>	<u>1.60%</u>
Total general revenues	6,247,155	90.52%	6,130,885	90.62%
Program Revenues				
Charges for services	190,792	2.76%	189,369	2.80%
Operating grants	<u>464,094</u>	<u>6.72%</u>	<u>444,961</u>	<u>6.58%</u>
Total revenues	6,902,041	100.00%	6,765,215	100.00%
Expenses				
Instruction	4,353,005	57.95%	3,772,864	56.36%
Support services	2,153,576	28.67%	1,998,643	29.86%
Community services	140,360	1.87%	125,486	1.87%
Food services	328,111	4.37%	309,971	4.63%
Athletics	200,826	2.67%	146,661	2.19%
Interest on long-term debt	50,586	.67%	62,657	0.94%
Amortization	8,491	.11%	8,491	0.13%
Unallocated depreciation expense	<u>277,265</u>	<u>3.69%</u>	<u>268,831</u>	<u>4.02%</u>
Total expenses	7,512,220	100.00%	6,693,604	100.00%
Increase (decrease) in net assets	<u><u>\$(610,179)</u></u>		<u><u>\$ 71,611</u></u>	

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006

Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levied 16.9946 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2005-2006 fiscal year, the district levied \$1,121,761 non-homestead property taxes. This represented an increase of 11.00% from the prior year. The amount of unpaid property taxes at June 30, 2006, less an estimate for those deemed to be un-collectible, was \$3,000.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	% Increase (Decrease) from prior year
2005 – 2006	\$1,121,761	11.00%
2004 – 2005	1,010,606	6.29%
2003 – 2004	950,819	2.52%
2002 – 2003	927,483	7.72%
2001 – 2002	860,993	2.70%

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2005 – 2006 fiscal year, the District's foundation allowance was \$6,875 per student FTE, which represented a 2.62% increase over the amount received for the 2004 – 2005 fiscal year.

3. Student Enrollment

The following schedule lists the actual blended student FTE for the past five fiscal years:

	Actual Blended Student FTE
2005 – 2006	772
2004 – 2005	798
2003 – 2004	826
2002 – 2003	851
2001 – 2002	871

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2006, federal, state and other grants accounted for \$464,094. This represents an increase of \$19,133 over the total grant sources received for the 2004 – 2005 fiscal year.

5. Interest Earnings

The District received interest on its investments in the amount of \$70,702 for the fiscal year ended June 30, 2006. With interest rates rising from a historic low, interest revenues are up from the prior fiscal year by \$29,591.

6. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

	<u>2005-2006</u> <u>Fiscal Year</u>	<u>2004-2005</u> <u>Fiscal Year</u>	<u>Increase</u> <u>(Decrease)</u>
Expenditures			
Instruction	\$3,869,002	\$3,765,569	\$103,433
Supporting services	2,196,088	2,027,042	169,046
Community services	140,360	125,486	14,874
Food service activities	328,111	339,378	(11,267)
Athletic activities	200,826	146,661	54,165
Capital Outlay	0	0	-
Debt Service	<u>373,866</u>	<u>368,042</u>	<u>5,824</u>
Total expenditures	<u>\$7,108,253</u>	<u>\$6,772,178</u>	<u>\$336,075</u>

Deckerville Community Schools

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2006

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1st. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30th.

For the 2005 – 2006 fiscal year, the district amended the general fund budget two times with the Board adopting the final changes in June 2006. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget positive (negative)	% Variance
Total revenues	<u>\$5,954,125</u>	<u>\$6,031,615</u>	<u>\$6,148,722</u>	<u>\$117,107</u>	<u>1.9%</u>
Expenditures					
Instruction	3,774,088	3,816,996	3,869,002	(52,006)	(1.4%)
Supporting services	2,336,660	2,193,906	2,196,088	(2,182)	(0.1%)
Community services	<u>126,071</u>	<u>140,657</u>	<u>140,360</u>	<u>297</u>	<u>0.2%</u>
Total expenditures	<u>\$6,236,819</u>	<u>\$6,151,559</u>	<u>\$6,205,450</u>	<u>\$(53,891)</u>	<u>(0.9)%</u>

Capital Asset and Debt Administration

Capital Assets

By the end of the 2005 – 2006 fiscal year, the district had invested \$7,777,205 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents an increase of \$86,471 over the prior fiscal year. Depreciation expense for the year amounted to \$277,265, bringing the accumulation to \$2,928,133 as of June 30, 2006.

Long-term Debt

At June 30, 2006, the District had \$3,405,944 in debt outstanding. This represents an increase of \$205,251 over the amount outstanding at the close of the prior fiscal year.

Deckerville Community School
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2006 – 2007 fiscal year. The early indication is that the foundation allowance will increase \$210 or 2.1% which will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, the Retirement rate is increasing from 16.34% to 17.74% effective October 1, 2006.
- The contract with the Deckerville Community Schools Education Association, the union that represents the teaching staff, expires August 22, 2006.
- The state of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

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August 16, 2006

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Deckerville Community Schools
Deckerville, Michigan 48427

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deckerville Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Deckerville Community School's, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Deckerville Community Schools as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2006 on our consideration of Deckerville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Education
Deckerville Community Schools
August 16, 2006

The management's discussion and analysis and budgetary comparison information on pages i through vii and page 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Deckerville Community Schools' basic financial statements. The additional information on pages 23 to 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BASIC FINANCIAL STATEMENTS

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

CURRENT ASSETS:	
Cash	\$ 2,003,809
Investments	432,482
Accounts receivable	27,415
Due from other governmental units	871,954
Due from other funds	45,166
Property taxes receivable	<u>3,000</u>
TOTAL CURRENT ASSETS	<u>3,383,826</u>
NONCURRENT ASSETS:	
Deferred charges on debt refunding	50,944
Amortization of bond issuance cost	(16,982)
Capital assets	7,777,205
Less accumulated depreciation	<u>(2,928,133)</u>
TOTAL NONCURRENT ASSETS	<u>4,883,034</u>
TOTAL ASSETS	<u><u>\$ 8,266,860</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 7,357
Accrued salaries & wages	249,241
Deferred revenue	2,575
Accrued payroll taxes	150,127
Accrued interest	8,276
Current portion of early retirement incentives	150,000
Current portion of long term debt	<u>323,155</u>
TOTAL CURRENT LIABILITIES	<u>890,731</u>
NONCURRENT LIABILITIES:	
Noncurrent portion of compensated absences	246,018
Noncurrent portion of early retirement incentives	300,000
Noncurrent portion of long term debt	<u>2,386,771</u>
TOTAL NONCURRENT LIABILITIES	<u>2,932,789</u>
NET ASSETS:	
Invested in capital assets, net of related debt	2,173,108
Restricted for debt service	424,698
Unrestricted	<u>1,845,533</u>
TOTAL NET ASSETS	<u>4,443,339</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,266,859</u></u>

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Expenses	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 4,353,005		\$ 175,333	\$ (4,177,672)
Support services	2,153,577		116,888	(2,036,689)
Community services	140,360	\$ 6,855		(133,505)
Food services	328,111	125,525	170,577	(32,009)
Athletics	200,826	58,412		(142,414)
Interest on long-term debt	50,586		1,296	(49,290)
Amortization	8,491			(8,491)
Unallocated depreciation	277,265			(277,265)
Total governmental activities	<u>\$ 7,512,221</u>	<u>\$ 190,792</u>	<u>\$ 464,094</u>	(6,857,335)
General revenues:				
Property taxes, levied for general purposes				1,040,694
Property taxes, levied for debt service				357,676
State of Michigan school aid unrestricted				4,644,062
Investment revenue				70,702
Miscellaneous				134,021
Total general revenue				<u>6,247,155</u>
Change in net assets				(610,180)
Net assets, beginning of year				<u>5,053,519</u>
Net assets, end of year				<u>\$ 4,443,339</u>

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	<u>GENERAL FUND</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 1,922,517	\$ 81,292	\$ 2,003,809
Investments	-	432,482	432,482
Accounts receivable	4,415	23,000	27,415
Due from other governmental units	871,954		871,954
Due from other funds	45,166		45,166
TOTAL ASSETS	<u>\$ 2,844,052</u>	<u>\$ 536,774</u>	<u>\$ 3,380,826</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:			
Accounts payable	\$ 5,034	\$ 2,323	\$ 7,357
Accrued salaries & wages	249,241		249,241
Due to other funds		-	-
Deferred revenue	2,575	-	2,575
Accrued payroll taxes	150,127	-	150,127
TOTAL LIABILITIES	<u>406,977</u>	<u>2,323</u>	<u>409,300</u>
FUND BALANCE:			
Unreserved:			
Designated for compensated absences	696,018		696,018
Undesignated	1,741,057	101,477	1,842,534
Reserved for debt retirement		432,974	432,974
TOTAL FUND BALANCE	<u>2,437,075</u>	<u>534,451</u>	<u>2,971,526</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,844,052</u>	<u>\$ 536,774</u>	<u>\$ 3,380,826</u>

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2006

Total Fund Balances - Governmental Funds \$ 2,971,526

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the funds

The cost of capital assets is:	7,777,205
Accumulated depreciation is:	(2,928,133)

Long term liabilities are not due and payable in the current
period and are not reported in the funds

Bonds payable:	(2,709,926)
Early retirement incentives	(450,000)
Compensated absences	(246,018)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid:	(8,276)

Deferred charges for bond refunding	50,944
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Amortization of bond issuance costs	(16,982)
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Balance of taxes receivable at 6/30/06 less allowance for doubtful accounts	<u>3,000</u>
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Net Assets of Governmental Activities \$ 4,443,340

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local sources			
Property tax	\$ 1,042,694	\$ 357,676	\$ 1,400,370
Interest income	67,177	3,525	70,702
Food sales and athletic admissions		183,937	183,937
Other	131,847	9,029	140,876
State sources	4,614,783	30,575	4,645,358
Federal sources	292,221	170,577	462,798
TOTAL REVENUES	6,148,722	755,319	6,904,041
EXPENDITURES:			
Instruction	3,869,002		3,869,002
Supporting services	2,196,088		2,196,088
Community services	140,360		140,360
Food services activities		328,111	328,111
Athletic activities		200,826	200,826
Capital outlay		-	-
Debt service:		-	-
Principal retirement		317,874	317,874
Interest		51,150	51,150
Other		4,842	4,842
TOTAL EXPENDITURES	6,205,450	902,803	7,108,253
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(56,728)	(147,484)	(204,212)
OTHER FINANCING SOURCES (USES):			
Transfer from other funds		215,053	215,053
Payment to ISD	(4,701)		(4,701)
Transfer to other funds	(215,053)		(215,053)
TOTAL OTHER FINANCING SOURCES (USES)	(219,754)	215,053	(4,701)
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(276,482)	67,569	(208,913)
FUND BALANCE - BEGINNING OF YEAR	2,713,557	466,882	3,180,439
FUND BALANCE - END OF YEAR	\$ 2,437,075	\$ 534,451	\$ 2,971,526

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2006

Total net change in fund balances - governmental funds	\$ (208,913)
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Amounts reported for governmental activities in the statement
of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However,
in the statement of activities, the cost of these assets are allocated over their
useful lives as depreciation:

Depreciation expense	(277,265)
Amortization	(8,491)
Capital outlay	86,472

Accrued interest on bonds is recorded in the statement of activities when
incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	13,545
Accrued interest payable at the end of the year	(8,276)

Repayments of principal on long-term debt is an expenditure in the governmental
funds, but not in the statement of activities (where it is a reduction of liabilities)

318,011

Early retirement incentives are reported on the accrual method in the statement
of activities and recorded as an expenditure when due in the governmental funds:

Accrued early retirement incentives beginning of the year	-
Accrued early retirement incentives end of the year	(450,000)

Compensated absences are reported on the accrual method in the statement
of activities and recorded as an expenditure when due in the governmental funds:

Accrued compensated absences beginning of the year	172,756
Accrued compensated absences end of the year	(246,018)

Revenue is recorded on the accrual method in the statement of activities; in the
governmental funds it is recorded on the modified accrual method and not
considered available:

Accrued revenue at the beginning of the year	(5,000)
Accrued revenue at the end of the year	3,000

Change in net assets of governmental activities	<u><u>\$ (610,179)</u></u>
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The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2006

	<u>AGENCY FUNDS</u>
CURRENT ASSETS	
Cash	\$ 113,494
TOTAL ASSETS	<u>\$ 113,494</u>
LIABILITIES	
Due to general fund	\$ 45,166
Due to student organizations	<u>68,328</u>
TOTAL LIABILITIES	<u>\$ 113,494</u>

The accompanying notes are an integral part of the financial statements.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The School district was organized in 1915 and presently covers approximately 170 square miles covering all or parts of 8 Townships in Sanilac County. The School District operates under an elected School Board (7 members) and provides educational services to approximately 772 students.

The basic financial statements of the Deckerville Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The Deckerville Community Schools (the "District") is governed by the Deckerville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as general revenues.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

GOVERNMENTAL FUNDS:

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

OTHER NON-MAJOR FUNDS:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

OTHER NON-MAJOR FUNDS, (Continued):

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Foundation Revenue:

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006 the foundation allowance was based on the blended pupil membership counts taken in February and September of the last three years.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2005 - August, 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):

State Categorical Revenue:

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

Federal Revenue:

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

ASSETS, LIABILITIES AND EQUITY, (Continued):

The District along with certain other governmental units is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund - Non Homestead	16.9946
1995 Debt Service Fund – Homestead and non-homestead	2.1000

4. Inventories and Prepaid items.

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$2,500. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences.

Teachers with ten years or more of consecutive service will be paid \$36 per day for unused sick days if they leave the district. Each teacher shall be credited with eleven sick leave days at the beginning of each school year that can be accumulated to one hundred eighty days. All unused sick leave days in excess of one hundred eighty days shall be paid to the teacher at the end of the school year on the basis of \$36 per day. Other employee groups have contracts with negotiated sick leave benefits at varying levels. The long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):

ASSETS, LIABILITIES AND EQUITY, (Continued):

7. Unemployment Insurance.

The District reimburses the Bureau of Worker's & Unemployment Compensation (BW & UC) for the actual amount of unemployment benefits disbursed by the BW & UC on behalf of the District. Billings received for amounts paid by the BW & UC through June 30, are accrued, if material.

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Memorandum only - Total Column.

The total column on the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

11. Use of Estimates.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended, Supplemental appropriations were made during the year with the last one approved prior to June 30.
7. Total expenditures for the year exceeded the final budget by \$53,891. This is a violation of the budgeting act.

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK:

As of June 30, 2006, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External pool - MICMS	751	0.0027	AAAm	0.2%
MILAF External pool - MIMAX	50,966	0.0027	AAAm	11.8%
Guaranteed Investment Contract (GIC)	380,765	2.1000	A1+	88.0%
Total fair value	<u>\$ 432,482</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>1.8500</u>		

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2006, the carrying amount of the District's deposits was \$2,117,303 and the bank balance was \$2,465,520. Of the bank balance, \$520,295 was covered by federal deposit insurance while the remaining bank balance of \$1,944,925 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the Note Payable Disclosed in Note 8.

The Investment Agreement, dated as of April 12, 2001, by and among LaSalle Bank, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 103% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 2.0% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia, as guarantor of the Provider's obligations under this Investment Agreement.

**DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$113,494	\$ 2,117,303
Investments	432,482
	<u>\$ 2,549,785</u>

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 2,003,809
Fiduciary Funds	113,494
Investments - District wide	432,482
	<u>\$ 2,549,785</u>

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2005 was 14.87% through September 2005 and 16.34% for October 1, 2005 through June 30, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2006, 2005, and 2004 were \$628,126, \$533,804, and \$486,009, respectively, and were equal to the required contribution for the year.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN, (Continued):

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Post-Employment Benefits – Also within the MPSERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPSERS with the balance deducted from the monthly pension.

NOTE 5 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees'. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

The Trust & Agency Fund is the custodian for several accounts that are considered school district funds, the balance of which is payable to the General Fund.

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$45,166	
Trust & Agency Fund	<u> </u>	<u>\$45,166</u>
Total	<u>\$45,166</u>	<u>\$45,166</u>

NOTE 7 - LONG-TERM DEBT:

During the year ended June 30, 2004 the District refinanced the 1995 bonds. New general obligation bonds were issued at a premium after paying issuance costs of \$65,083, the net proceeds were \$2,254,517. The net proceeds from the issuance of the general obligation bonds along with \$185,000 from the District's Debt Retirement Fund were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on May 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$351,368, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$285,694.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 7 - LONG-TERM DEBT, (Continued):

The following is a summary of the long-term debt of the school district for the year ended June 30, 2006:

	<u>SERIAL BONDS</u>
Balance payable - July 1, 2005	\$3,200,693
Increase in accumulated compensated absences	73,262
Increase in early retirement incentives	450,000
Durant payment	(3,011)
Bonds paid	<u>(315,000)</u>
Balance payable June 30, 2006	<u>\$3,405,944</u>

As of June 30, 2006, the school district had the following long-term debt outstanding:

1998 Durant bonds; 4.76% interest.	\$ 34,926
QZAB Bonds; no interest	\$ 990,000
2004 Refunding Bonds; interest rates from 2.0% to 2.8%	\$1,685,000
Early retirement incentives	\$ 450,000
Compensated absences	\$ 246,018

The annual requirements to amortize long-term debt outstanding as of June 30, 2006 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2007	\$323,155	\$44,570	\$367,725
2008	333,305	36,819	370,124
2009	338,462	28,412	366,874
2010	348,627	19,453	368,080
2011	358,799	10,310	369,109
2012	3,980	190	4,170
2013	13,598	<u>6,079</u>	19,677
2014	990,000		990,000
Accumulated early retirement incentives	450,000		450,000
Accumulated compensated absences	<u>246,018</u>		<u>246,018</u>
TOTAL	<u>\$3,405,944</u>	<u>\$145,833</u>	<u>\$3,551,777</u>

An amount of \$432,974 is available in the debt service fund to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2006 was \$51,149.

DECKERVILLE COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 8 – QZAB FUND:

On April 12, 2001 the District borrowed \$990,000 through the Qualified Zone Academy Bond Program for the purpose of partially remodeling, equipping and re-equipping existing school facilities. The bonds are to be repaid with twelve annual installments of \$76,153 commencing on April 12, 2002 and a final installment of \$76,164 on April 12, 2014, being paid into a Trust Account to provide the funds to repay the bond principal in one payment of \$990,000 on April 14, 2014. The bonds are interest-free and the balance on June 30, 2005 is \$990,000. The balance in this trust account at June 30, 2006 is \$ 380,765.

NOTE 9 – TRANSFERS:

The general fund during the current fiscal year transferred \$138,900 to the athletic fund to subsidize operations and \$76,153 to the QZAB debt retirement fund to fund the annual payment.

NOTE 10 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2006</u>
Capital assets:				
Buildings and additions	\$5,763,044			\$5,763,044
Technology	241,463			241,463
Athletic equipment	469,887			469,887
General equipment	497,552	\$23,219		520,771
Transportation equipment	<u>718,788</u>	<u>63,252</u>		<u>718,788</u>
Subtotal	7,690,734	86,471		7,777,205
Accumulated depreciation:	<u>(2,650,868)</u>	<u>(277,265)</u>		<u>(2,928,133)</u>
Net capital assets	<u>\$5,039,866</u>	<u>\$(190,794)</u>	<u>NONE</u>	<u>\$4,849,072</u>

Depreciation expense was charged as unallocated to the governmental activities in the amount of \$277,265.

REQUIRED SUPPLEMENTARY INFORMATION

DECKERVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2006

	BUDGET			VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Local sources	\$ 1,238,358	\$ 1,175,580	\$ 1,241,718	\$ 66,138
State sources	4,432,407	4,592,290	4,614,783	22,493
Federal sources	283,360	263,745	292,221	28,476
TOTAL REVENUES	5,954,125	6,031,615	6,148,722	117,107
EXPENDITURES:				
Instruction	3,774,088	3,816,996	3,869,002	(52,006)
Supporting services	2,336,660	2,193,906	2,196,088	(2,182)
Community services	126,071	140,657	140,360	297
Principal retirement				-
TOTAL EXPENDITURES	6,236,819	6,151,559	6,205,450	(53,891)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(282,694)	(119,944)	(56,728)	63,216
OTHER FINANCING SOURCES (USES):				
Transfer to Athletic Fund	(109,033)	(138,842)	(138,900)	(58)
Payment to ISD	(1,800)	(5,064)	(4,701)	363
Transfer to QZAB Bond Program	(76,153)	(76,153)	(76,153)	-
TOTAL OTHER FINANCING SOURCES (USES)	(186,986)	(220,059)	(219,754)	305
EXCESS OF REVENUES OVER EXPEN- DITURES & OTHER SOURCES (USES)	(469,680)	(340,003)	(276,482)	63,521
FUND BALANCE - BEGINNING OF YEAR	2,713,557	2,713,557	2,713,557	
FUND BALANCE - END OF YEAR	<u>\$ 2,243,877</u>	<u>\$ 2,373,554</u>	<u>\$ 2,437,075</u>	<u>\$ 63,521</u>

ADDITIONAL INFORMATION

DECKERVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2006

			<u>TOTAL</u>
	<u>SPECIAL</u>	<u>DEBT</u>	
<u>ASSETS</u>	<u>REVENUE</u>	<u>SERVICE</u>	<u>2006</u>
CURRENT ASSETS			
Cash	\$ 80,800	\$ 492	\$ 81,292
Investments		432,482	432,482
Accounts receivable	23,000		23,000
TOTAL ASSETS	<u>\$ 103,800</u>	<u>\$ 432,974</u>	<u>\$ 536,774</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 2,323		\$ 2,323
Due to other funds	-		-
Deferred revenue	-		-
Accrued payroll taxes			-
TOTAL LIABILITIES	<u>2,323</u>	<u>-</u>	<u>2,323</u>
FUND BALANCE			
Unreserved:			
Designated for debt retirement		\$ 432,974	432,974
Undesignated	101,477		101,477
TOTAL FUND BALANCE	<u>101,477</u>	<u>432,974</u>	<u>534,451</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 103,800</u>	<u>\$ 432,974</u>	<u>\$ 536,774</u>

DECKERVILLE COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2006

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>TOTAL 2006</u>
REVENUES:			
Local sources			
Property tax		\$ 357,676	\$ 357,676
Interest income	\$ 729	2,796	3,525
Food sales and athletic admissions	183,937		183,937
Other	3,099	5,930	9,029
State sources	26,405	4,170	30,575
Federal sources	170,577		170,577
TOTAL REVENUES	384,747	370,572	755,319
EXPENDITURES:			
Food services activities	328,111		328,111
Athletic activities	200,826		200,826
Capital outlay			-
Debt service:			
Principal retirement		317,874	317,874
Interest		51,150	51,150
Other		4,842	4,842
TOTAL EXPENDITURES	528,937	373,866	902,803
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(144,190)	(3,294)	(147,484)
OTHER FINANCING SOURCES:			
Transfers from other funds	138,900	76,153	215,053
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES	(5,290)	72,859	67,569
FUND BALANCE - JULY 1	106,767	360,115	466,882
FUND BALANCE - JUNE 30	\$ 101,477	\$ 432,974	\$ 534,451

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property Tax	\$ 1,042,271	\$ 1,042,694	\$ 423
Interest income	63,415	67,177	3,762
Tuition and fees	6,855	6,855	-
Rental of building	782	2,770	1,988
Transfer from Student Activities	2,000	2,000	-
Other	60,257	120,222	59,965
TOTAL REVENUE FROM LOCAL SOURCES	<u>1,175,580</u>	<u>1,241,718</u>	<u>66,138</u>
REVENUE FROM STATE SOURCES:			
State aid	4,379,264	4,385,973	6,709
Drivers education	-	-	-
Preschool program	115,500	115,500	-
Other State Grants	97,526	113,310	15,784
TOTAL REVENUE FROM STATE SOURCES	<u>4,592,290</u>	<u>4,614,783</u>	<u>22,493</u>
REVENUE FROM FEDERAL SOURCES:			
Title I	160,747	181,932	21,185
Title VI	-	-	-
IDEA Project #060450-0506	30,800	30,800	-
Title II	61,853	64,144	2,291
Title V	5,747	5,747	-
Other Federal Grants	4,598	9,598	5,000
TOTAL REVENUE FROM FEDERAL SOURCES	<u>263,745</u>	<u>292,221</u>	<u>28,476</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 6,031,615</u>	<u>\$ 6,148,722</u>	<u>\$ 117,107</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Basic Programs:			
Elementary			
Professional Salaries	\$ 996,289	\$ 994,438	\$ 1,851
Non-Professional Salaries	117,918	99,257	18,661
Insurance Benefits	243,296	243,481	(185)
FICA & Retirement	283,711	276,935	6,776
Purchased Services	11,016	10,946	70
Supplies	16,519	33,407	(16,888)
Capital Outlay	3,505	3,505	-
Miscellaneous	894	923	(29)
	<u>1,673,148</u>	<u>1,662,892</u>	<u>10,256</u>
Total Elementary			
Secondary			
Professional Salaries	855,774	855,773	1
Non-Professional Salaries	17,307	17,305	2
Insurance Benefits	209,816	209,337	479
FICA & Retirement	213,551	212,511	1,040
Purchased Services	28,169	28,168	1
Supplies	43,703	83,042	(39,339)
Capital Outlay	1,931	1,930	1
Miscellaneous	1,703	1,743	(40)
	<u>1,371,954</u>	<u>1,409,809</u>	<u>(37,855)</u>
Total Secondary			
Added Needs:			
Technology Literacy Grant			
Purchased Services	750	750	-
Supplies	2,249	2,249	-
	<u>2,999</u>	<u>2,999</u>	<u>-</u>
Total Technology Literacy Grant			

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs, (Continued):			
IDEA Project #060450-0506:			
Professional Salaries	\$ 24,841	\$ 24,841	-
Insurance Benefits	-	-	-
FICA & Retirement	5,959	5,959	-
Total IDEA:	30,800	30,800	-
Special Education & Speech Therapy:			
Professional Salaries	161,144	161,143	\$ 1
Non-Professional Salaries	86,366	86,391	(25)
Insurance Benefits	43,071	42,012	1,059
FICA & Retirement	55,379	54,812	567
Purchased Services	734	733	1
Supplies	2,367	2,367	-
Total Special Education & Speech Therapy:	349,061	347,458	1,603
Gifted and Talented:			
Professional Salaries	1,150	1,150	-
FICA & Retirement	276	276	-
Purchased Services	543	541	2
Supplies	-	-	-
Miscellaneous	-	-	-
Total Gifted and Talented	1,969	1,967	2
Compensatory Education (Title I):			
Professional Salaries	102,288	102,288	-
Non-Professional Salaries	13,608	32,266	(18,658)
Insurance Benefits	11,233	9,420	1,813
FICA & Retirement	27,658	32,001	(4,343)
Purchased Services	5,149	5,148	1
Supplies	811	810	1
Miscellaneous	-	-	-
Total Compensatory Education	160,747	181,933	(21,186)

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs, (Continued):			
Title V:			
Purchased Services	-	-	-
Supplies	\$ 5,747	\$ 5,747	-
Total Title V	<u>5,747</u>	<u>5,747</u>	<u>-</u>
Compensatory Education (At-Risk):			
Professional Salaries	75,648	75,648	\$ -
Non-Professional Salaries	42,399	42,398	1
Insurance Benefits	15,555	15,772	(217)
FICA & Retirement	28,115	27,814	301
Purchased Services	-	-	-
Supplies	-	-	-
Capital Outlay	-	2,620	(2,620)
Total Compensatory Education (At-Risk):	<u>161,717</u>	<u>164,252</u>	<u>(2,535)</u>
Title II, Part A:			
Professional Salaries	45,018	46,866	(1,848)
Insurance Benefits	-	-	-
FICA & Retirement	10,800	11,243	(443)
Payment to I.S.D.	3,036	3,036	-
Purchased Services	-	-	-
Total Title II, Part A	<u>58,854</u>	<u>61,145</u>	<u>(2,291)</u>
Adult Continuing Education:			
Non-Professional Salaries	-	-	-
Insurance Benefits	-	-	-
FICA & Retirement	-	-	-
Purchased Services	-	-	-
Total Adult Continuing Education	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL INSTRUCTION:	<u>3,816,996</u>	<u>3,869,002</u>	<u>(52,006)</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Pupil Services:			
Guidance Services:			
Professional Salaries	\$ 85,334	\$ 87,520	\$ (2,186)
Non-Professional Salaries	13,284	13,283	1
Insurance Benefits	16,459	16,194	265
FICA & Retirement	23,293	23,600	(307)
Purchased Services	818	818	-
Supplies	1,662	1,662	-
Capital Outlay	447	446	1
Total Guidance Services	<u>141,297</u>	<u>143,523</u>	<u>(2,226)</u>
Drug Education			
Purchased Services	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total Drug Education	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Library			
Professional Salaries	53,481	53,480	1
Non-Professional Salaries	18,783	18,782	1
Insurance Benefits	15,135	15,118	17
FICA & Retirement	17,312	17,094	218
Purchased Services	5,143	5,141	2
Supplies	7,981	7,976	5
Capital Outlay	<u>0</u>	<u>0</u>	<u>-</u>
Total Library	<u>117,835</u>	<u>117,591</u>	<u>244</u>
General Administration:			
Professional Salaries	166,581	166,566	15
Non-Professional Salaries	29,081	29,080	1
Insurance Benefits	43,139	43,138	1
FICA & Retirement	49,608	47,031	2,577
Other Benefits	21,429	21,429	-
Purchased Services	21,239	21,252	(13)
Supplies	2,344	3,813	(1,469)
Capital Outlay	-	-	-
Miscellaneous	<u>3,296</u>	<u>3,296</u>	<u>-</u>
Total General Administration	<u>336,717</u>	<u>335,605</u>	<u>1,112</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
School Administration:			
Professional Salaries	\$ 153,053	\$ 153,052	\$ 1
Non-Professional Salaries	66,798	66,797	1
Insurance Benefits	63,076	63,074	2
FICA & Retirement	66,711	65,827	884
Other Benefits	27,546	27,546	-
Purchased Services	3,534	3,784	(250)
Supplies	4,988	4,987	1
Capital Outlay	-	-	-
Miscellaneous	-	28	(28)
Total School Administration	<u>385,706</u>	<u>385,095</u>	<u>611</u>
Business - Fiscal Services:			
Salaries	53,552	53,551	1
FICA & Retirement	12,870	12,666	204
Insurance Benefits	20,410	20,409	1
Purchased Services	52,145	46,294	5,851
Total Business - Fiscal Services	<u>138,977</u>	<u>132,920</u>	<u>6,057</u>
Business - Other Business Services:			
Capital Outlay	<u>29,026</u>	<u>38,461</u>	<u>(9,435)</u>
Total Other Business Services	<u>29,026</u>	<u>38,461</u>	<u>(9,435)</u>
Operation of Plant:			
Professional Salaries	38,299	38,299	-
Non-Professional Salaries	136,980	136,969	11
Insurance Benefits	71,173	71,172	1
FICA & Retirement	49,551	48,695	856
Purchased Services	78,585	78,659	(74)
Supplies	154,999	153,959	1,040
Capital Outlay	4,122	4,122	-
Miscellaneous	-	-	-
Total Operation of Plant	<u>533,709</u>	<u>531,875</u>	<u>1,834</u>
Pupil Transportation:			
Professional Salaries	43,281	43,280	1
Non-Professional Salaries	157,902	158,021	(119)
Insurance Benefits	56,337	56,335	2
FICA & Retirement	54,000	48,255	5,745
Purchased Services	15,245	15,541	(296)
Supplies	66,800	66,609	191
Capital Outlay	61,295	67,234	(5,939)
Miscellaneous	13,738	13,806	(68)
Total Pupil Transportation	<u>468,598</u>	<u>469,081</u>	<u>(483)</u>

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Central Services:			
Information Services:			
Purchased Services	\$ 2,325	\$ 2,288	\$ 37
Student Activities:			
Professional Salaries	8,336	8,335	1
Non-Professional Salaries	7,955	7,954	1
Insurance Benefits	4,072	4,072	-
FICA & Retirement	3,917	3,885	32
Total Student Activities	24,280	24,246	34
Support for Agency Funds			
Non-Professional Salaries	7,955	7,954	1
Insurance Benefits	4,072	4,071	1
FICA & Retirement	1,909	1,878	31
Total Support for Agency Funds	13,936	13,903	33
TOTAL SUPPORTING SERVICES	2,193,906	2,196,088	(2,182)
COMMUNITY SERVICES			
Driver's Education			
Professional Salaries	6,286	6,285	1
FICA & Retirement	1,517	1,483	34
Purchased Services	1,383	1,382	1
Supplies	571	571	-
Total Driver's Education	9,757	9,721	36
Summer Programs			
Professional Salaries	6,391	5,925	466
Non-Professional Salaries	6,715	6,845	(130)
FICA & Retirement	2,291	2,368	(77)
Supplies	2	2	-
Miscellaneous	1	-	1
Total Summer Programs	15,400	15,140	260

DECKERVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES, (Continued):			
State-Funded Pre-School			
Professional Salaries	\$ 34,565	\$ 34,564	\$ 1
Non-Professional Salaries	30,137	30,137	-
Insurance Benefits	1,676	1,674	2
FICA & Retirement	20,434	20,377	57
Purchased Services	10,815	10,815	-
Supplies	14,046	14,107	(61)
Capital Outlay	3,320	3,319	1
Miscellaneous	507	506	1
Total State-Funded Pre-School	<u>115,500</u>	<u>115,499</u>	<u>1</u>
TOTAL COMMUNITY SERVICES	<u>140,657</u>	<u>140,360</u>	<u>297</u>
OTHER FINANCING USES:			
Transfer to Athletic fund	138,842	138,900	(58)
Payment to ISD	5,064	4,701	363
Transfer to QZAB Bond Program	<u>76,153</u>	<u>76,153</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 6,371,618</u>	<u>\$ 6,425,204</u>	<u>\$ (53,586)</u>

DECKERVILLE COMMUNITY SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2006

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>
<u>ASSETS</u>			
Cash in bank	\$ 79,038	\$ 1,762	\$ 80,800
Accounts Receivable	23,000	-	23,000
Due from other funds		-	-
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 102,038</u>	<u>\$ 1,762</u>	<u>\$ 103,800</u>
<u>LIABILITIES & FUND BALANCE</u>			
LIABILITIES:			
Accounts Payable	\$ 2,323	-	\$ 2,323
Due to other funds	-		-
Deferred Income		-	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	2,323	-	2,323
FUND BALANCE	<hr/> 99,715	<hr/> \$ 1,762	<hr/> 101,477
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 102,038</u>	<u>\$ 1,762</u>	<u>\$ 103,800</u>

DECKERVILLE COMMUNITY SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
June 30, 2006

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>	<u>COMBINED BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:					
Local Sources:					
Sale of meals & milk	\$ 125,525		\$ 125,525	\$ 125,525	-
Admissions		\$ 58,412	58,412	58,412	-
Interest	675	54	729	730	\$ (1)
Sale of supplies			-		-
Other	814	2,285	3,099	3,101	(2)
Total Local Sources	127,014	60,751	187,765	187,768	(3)
State Sources:					
State Lunch Aid	26,405		26,405	12,468	13,937
Other			-		-
Total State Sources	26,405	-	26,405	12,468	13,937
Federal Sources:					
National School Lunch Program	153,828		153,828	167,767	(13,939)
USDA Commodities	16,749		16,749	-	16,749
Total Federal Sources	170,577	-	170,577	167,767	2,810
TOTAL REVENUE	323,996	60,751	384,747	368,003	16,744
EXPENDITURES:					
School Service Activities:					
Professional salaries	63,782	107,994	171,776	173,910	2,134
Employee benefits	21,960	28,967	50,927	50,869	(58)
Federal free food	148,815		148,815	132,111	(16,704)
Purchased services	72,576	25,708	98,284	95,796	(2,488)
Supplies & other costs	11,301	3,693	14,994	15,039	45
Capital Outlay	6,857	15,282	22,139	27,841	5,702
Miscellaneous	2,820	19,182	22,002	22,006	4
TOTAL EXPENDITURES	328,111	200,826	528,937	517,572	(11,365)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,115)	(140,075)	(144,190)	(149,569)	5,379
OTHER FINANCING SOURCES:					
Transfers from General Fund		138,900	138,900	138,842	58
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES	(4,115)	(1,175)	(5,290)	\$ (10,727)	\$ 5,437
FUND BALANCE - JULY 1	103,830	2,937	106,767		
FUND BALANCE - JUNE 30	\$ 99,715	\$ 1,762	\$ 101,477		

DECKERVILLE COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2006

	<u>QZAB BOND PROGRAM</u>	<u>1995 DEBT SERVICE</u>	<u>DURANT DEBT SERVICE</u>	<u>TOTAL DEBT SERVICE</u>
<u>ASSETS</u>				
Cash in bank		\$ 492	\$ -	\$ 492
Investments	<u>\$ 380,765</u>	<u>51,717</u>	<u>-</u>	<u>432,482</u>
<i>TOTAL ASSETS</i>	<u><u>\$ 380,765</u></u>	<u><u>\$ 52,209</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 432,974</u></u>
<u>LIABILITIES & FUND BALANCE</u>				
Reserved for debt service	<u>\$ 380,765</u>	<u>\$ 52,209</u>	<u>\$ -</u>	<u>\$ 432,974</u>
<i>TOTAL LIABILITIES & FUND BALANCE</i>	<u><u>\$ 380,765</u></u>	<u><u>\$ 52,209</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 432,974</u></u>

DECKERVILLE COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2006

	<u>QZAB BOND PROGRAM</u>	<u>1995 DEBT SERVICE</u>	<u>DURANT DEBT SERVICE</u>	<u>TOTAL DEBT SERVICE</u>
REVENUES FROM LOCAL SOURCES:				
Local Sources:				
Current tax levy		\$ 357,676		\$ 357,676
Miscellaneous		5,930		5,930
Interest on investments		2,796		2,796
		<u>366,402</u>		<u>366,402</u>
Total Local Sources		366,402		366,402
State Sources			\$ 4,170	4,170
		<u>366,402</u>	<u>4,170</u>	<u>370,572</u>
TOTAL REVENUES		<u>366,402</u>	<u>4,170</u>	<u>370,572</u>
EXPENDITURES:				
Bond principal		315,000	2,874	317,874
Bond interest		49,854	1,296	51,150
Bond fees and charges		457	-	457
Tax abatement		4,385	-	4,385
		<u>369,696</u>	<u>4,170</u>	<u>373,866</u>
TOTAL EXPENDITURES		<u>369,696</u>	<u>4,170</u>	<u>373,866</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES		(3,294)	-	(3,294)
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	\$ 76,153	-		76,153
	<u>76,153</u>	<u>-</u>	<u>-</u>	<u>76,153</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>76,153</u>	<u>-</u>	<u>-</u>	<u>76,153</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	76,153	(3,294)	-	72,859
FUND BALANCE - JULY 1	<u>304,612</u>	<u>55,503</u>	<u>-</u>	<u>360,115</u>
FUND BALANCE - JUNE 30	<u>\$ 380,765</u>	<u>\$ 52,209</u>	<u>\$ -</u>	<u>\$ 432,974</u>

DECKERVILLE COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND LIABILITIES
YEAR ENDED JUNE 30, 2006

	<u>BALANCE JUNE 30, 2005</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2006</u>
GENERAL FUND ACTIVITIES:				
Annual	\$ 3,154	\$ 11,076	\$ 10,658	\$ 3,572
Band	12	351	313	50
Board of Education	1,041	4,396	4,793	644
Board members	-	175	149	26
Book deposit	-	45	45	-
Bookstore	281	412	400	293
Cheerleaders	948	3,186	3,078	1,056
Preschool	-	-	-	-
Swimming pool	2,777	10,469	7,004	6,242
Petty cash	1,976	1,621	1,692	1,905
Shop supplies	(95)	1,452	1,246	111
Art	261	-	13	248
Science	316	-	-	316
Enrichment classes	-	60	30	30
Sale of supplies and used items	-	2,094	2,094	-
Field trips	-	765	765	-
Cheerleaders-Junior High	715	-	266	449
Copies and postage	-	160	160	-
Driver education	-	6,855	6,855	-
Vending machines	11,140	18,494	16,556	13,078
Returned check charges	-	-	-	-
Interest	15,099	2,047	-	17,146
TOTAL GENERAL FUND	<u>37,625</u>	<u>63,658</u>	<u>56,117</u>	<u>45,166</u>
STUDENT ACTIVITIES:				
Band Boosters	4,021	29,981	24,674	9,328
Advanced program	1,821	-	-	1,821
Class of 2000	2,154	-	130	2,024
Class of 2001	808	-	-	808
Class of 2002	271	-	-	271
Class of 2003	945	-	-	945
Class of 2004	674	-	-	674
Class of 2005	209	-	55	154
Class of 2006	3,107	1,684	3,077	1,714
Class of 2007	2,769	6,993	6,333	3,429
Class of 2008	2,804	2,681	1,186	4,299
Class of 2009	4,377	1,532	1,357	4,552
Class of 2010	2,114	4,861	5,288	1,687
Class of 2011	3,356	25,813	26,307	2,862
Class of 2012	-	8,682	6,649	2,033

DECKERVILLE COMMUNITY SCHOOLS
AGENCY FUND
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND LIABILITIES
YEAR ENDED JUNE 30, 2006

	<u>BALANCE</u> <u>JUNE 30,</u> <u>2005</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2006</u>
SCHOOL SERVICE ACTIVITIES (Continued):				
Baseball	\$ 759	\$ 2,082	\$ 2,154	-
Boys Basketball	2,909	1,907	3,383	-
Elementary Activities & Projects	1,436	2,470	2,101	\$ 1,805
Drama	5,209	1,762	3,692	3,279
Fifth Grade Economics Project	994	246	975	265
Girls Basketball	5,077	8,174	10,400	2,851
Greenfield Village Trip	5,650	4,939	4,321	6,268
Student Enrichment	1,594	-	-	1,594
Kindergarten Cookies	321	431	417	335
F.F.A.	1,408	-	-	1,408
Foods Class	69	62	59	72
High School Student Council	435	3,008	3,086	357
Volleyball	1,021	1,076	1,185	912
National Honor Society	1,718	25,826	23,863	3,681
Junior National Honor Society	472	-	-	472
T.L. Concession	31	-	-	31
Football	3,788	7,198	8,918	2,068
Close-up	9	-	-	9
Softball	(329)	8,397	6,850	1,218
S.A.D.D.	485	-	-	485
Bowling	-	1,867	1,413	454
Alternative Education	21	32	38	15
Physical Education Bowling	-	1,385	1,385	-
Equestrian Team	272	1,794	1,391	675
Internet	19	760	267	512
Mackinaw	597	10,362	10,351	608
Track	612	3,295	3,674	233
Cross Country	165	-	165	-
TOTAL STUDENT ACTIVITIES	<u>64,172</u>	<u>169,300</u>	<u>165,144</u>	<u>68,328</u>
TOTAL AGENCY FUNDS	<u>\$ 101,797</u>	<u>\$ 232,958</u>	<u>\$ 221,261</u>	<u>\$ 113,494</u>

DECKERVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
2004 REFUNDING BONDS
June 30, 2006

Purpose of Issue: Erecting, furnishing and equipping elementary and secondary school additions to and partially remodeling and partially re-equipping the building, acquiring, partially installing and equipping the facility for instructional technology; and developing and improving the site. The original bonds issued in 1995 were refinanced in March, 2004.

<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>RATES</u>	<u>INTEREST DUE</u>	<u>PAYMENT DUE</u>
11/1/2006			\$ 21,777	\$ 21,777
5/1/2007	\$ 320,000	2.375	21,777	341,777
11/1/2007			17,977	17,977
5/1/2008	330,000	2.50	17,977	347,977
11/1/2008			13,852	13,852
5/1/2009	335,000	2.625	13,852	348,852
11/1/2009			9,455	9,455
5/1/2010	345,000	2.60	9,455	354,455
11/1/2010			4,970	4,970
5/1/2011	<u>355,000</u>	2.80	<u>4,970</u>	<u>359,970</u>
TOTAL	<u>\$ 1,685,000</u>		<u>\$ 136,062</u>	<u>\$ 1,821,062</u>

The bonds are not subject to optional redemption prior to maturity.

DECKERVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - DURANT BONDS
June 30, 2006

\$59,383 Durant Bond issued November 24, 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 3,011	\$ 1,159	2007	\$ 4,170
3,155	1,016	2008	4,171
3,305	865	2009	4,170
3,462	708	2010	4,170
3,627	543	2011	4,170
3,799	370	2012	4,169
14,567	5,110	2013	19,677
<u>\$ 34,926</u>	<u>\$ 9,771</u>		<u>\$ 44,697</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the School Aid Payments directly to the Authority's Depository.



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

August 16, 2006

To the Board of Education
Deckerville Community School
Deckerville, MI 48427

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deckerville Community Schools as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the District's primary government and have issued our report thereon dated August 16, 2006. Our opinion is for the primary government only and not for the primary reporting entity. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Deckerville Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Deckerville Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Education
Deckerville Community School
Deckerville, MI 48427

We noted certain matters that we reported to management of Deckerville Community Schools in a separate letter dated August 16, 2006.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

August 16, 2006

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

To the Board of Education
Deckerville Community Schools
Deckerville, Michigan

In planning and performing our audit of the financial statements of Deckerville Community Schools for the year ended June 30, 2006, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 16, 2006, on the financial statements of Deckerville Community Schools.

Current Year Comments

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letters to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (Overspending your budget by line item).
- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would put the district in a deficit.

The Department is also currently reviewing their interpretation of Section 17(2). This would be a situation where a district's actual revenues were less than budgeted revenues and, at the same time, depleted the fund balance, beyond what was approved in total by the school board.

We recommend you continue to review your current budget amendments during the year. There will be situations where there continue to be budget violations as disclosed in footnote 2 subsection 3 of the financial statements. While there may be technical violations of the act we believe the District's current budget procedures are adequate.

Cash Management – Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during fiscal year 2006/2007. 30-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management.

We recommend the District request funds on a reimbursement basis in order to ensure compliance with the revised cash management interpretation.

Small Staff

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist because of the small accounting staff in the School District.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

Due to the limited number of people working in the business office, we recommend that the Board review the schools internal controls. We also recommend that someone from the Board or administrative staff periodically review bank statements, bank reconciliations, and cancelled checks.

Internal Control Procedures

Since the receipts and disbursements of the athletic, hot lunch, and student activity funds are not under the same scrutiny as the general fund we recommend that the Board periodically review the internal control procedures of each of these funds.

We recommend that the District review internal control procedures for the athletic, hot lunch, and student activity funds including cash receipts procedures and expense approval procedures.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Deckerville Community Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants